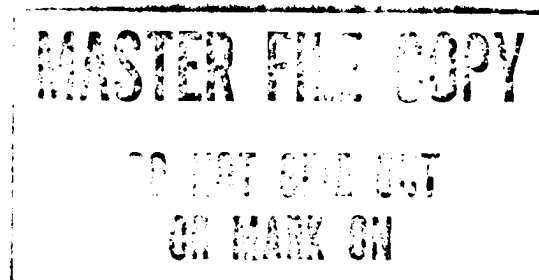




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Supplying the US Market for Illicit Drugs: A Primer

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A Research Paper

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Supplying the US Market for Illicit Drugs: A Primer

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A Research Paper

This paper was prepared in the Strategic Narcotics
Branch of the Office of Global Issues. Comments and
queries are welcome and may be addressed to the
Chief, Strategic Narcotics Branch, OGI,

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This paper was coordinated with the Directorate of
Operations and the National Intelligence Council

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**Supplying the US Market for
Illicit Drugs: A Primer**

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Summary

*Information available
as of 1 March 1983
was used in this report.*

The gross revenues from illicit drug trafficking worldwide may be as much as \$200 billion annually. As many as 41 million people in the United States each year spend approximately \$80 billion on heroin, cocaine, marijuana, and hashish.

The drugs entering US markets are produced primarily in Latin America, Southwest Asia, and Southeast Asia:

- Latin America supplies all of the cocaine, over 90 percent of the marijuana, and about one-third of the heroin sold in the United States. Coca is grown mostly in Peru and Bolivia, but most of the cocaine is handled by Colombian traffickers. Most of the marijuana consumed in the United States is grown in Colombia. Opium, which is processed into heroin, is grown in Mexico.
- Southwest Asia—the so-called Golden Crescent of Afghanistan, Pakistan, and Iran—is the world's leading opium-producing region and supplies over 50 percent of the heroin used in the United States. Output, especially in Pakistan, has fallen markedly during the past three years, the result of low prices in the wake of the large 1979 harvest and poor weather in 1981-82, but stockpiles have been ample to supply both US and European markets.
- Southeast Asia—the Golden Triangle of Burma, Thailand, and Laos—supplies about 10 percent of the heroin used in the United States. Recent military actions by the Thai Government along the Thai-Burmese border have forced traffickers to relocate some processing laboratories and have generally disrupted the activities of trafficking groups, although heroin produced in the region continues to be available in local and Western markets.

Despite attempts to eradicate crops and the more widespread attention given to interdiction efforts along trafficking routes, the lure of large profits is sufficient to ensure that traffickers seek and maintain alternate sources and routes to supply US users:

- In drug-producing countries, the money earned by growers and traffickers is substantial compared with the returns from alternative crops or activities. For example, the average income for a Colombian farmer, according to US Embassy reporting, is \$63 per month; a farmer growing marijuana earns an estimated \$1,350 monthly.

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May 1983

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- Collectively, the activities of growers and traffickers within these countries constitute a major source of revenue. The US Embassy in Bogota estimates that revenues from the drug trade in Colombia are equal to some 6 percent of that country's GNP. In Bolivia, illicit drug industry earnings probably are equal to roughly one-fourth of GNP.
 - The largest profits are earned by the traffickers closest to the retail markets—principally the United States and Western Europe. Indeed, for many of these traffickers the laundering of drug profits provides a greater challenge than drug smuggling. Moreover, laundering activities are a major source of income for some offshore banking centers.
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Contents

| | <i>Page</i> |
|--|-------------|
| Summary | iii |
| Introduction | 1 |
| The Illicit Drug Market in the United States | 1 |
| Heroin | 1 |
| Marijuana | 1 |
| Cocaine | 2 |
| Hashish | 2 |
| Major Drug-Producing Countries | 2 |
| Latin America/Caribbean | 2 |
| Southwest Asia | 5 |
| Middle East-North Africa | 11 |
| Southeast Asia | 11 |
| Drug-Processing Centers and Trafficking Routes | 13 |
| Latin America | 13 |
| Southwest Asia | 14 |
| Middle East | 15 |
| Southeast Asia | 15 |
| Economics of the Drug Trade | 15 |
| Source Country Revenues | 15 |
| Trafficking Income | 17 |
| Laundering the Proceeds | 17 |

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Supplying the US Market for Illicit Drugs: A Primer

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Introduction

The US market for illicit drugs is large and lucrative. We estimate, based on reports by the US Drug Enforcement Administration (DEA), the National Institute on Drug Abuse (NIDA), and sources in drug-producing countries, that each year as much as \$80 billion is spent by as many as 41 million people in the United States to consume some 4 tons of heroin, 35 to 45 tons of cocaine, 10,000 to 14,000 tons of marijuana, and 200 tons of hashish.¹ Nearly all of these products come from crops grown in foreign countries. Although the cultivation of these crops is illegal in most countries, such activity constitutes an important part of the local economy. For the United States, these drugs collectively represent the second most valuable import commodity, after oil. This paper describes the narcotics operations that supply the US market, discusses the major growing regions of the world, reviews the trafficking routes used to smuggle drugs to the United States, and examines the profits generated by narcotics activities.

The Illicit Drug Market in the United States

Heroin

Some 4 tons of heroin were consumed in the United States in 1981 by about 500,000 users, according to estimates by the National Narcotics Intelligence Consumer Committee (NNICC).² Southwest Asia now supplies about one-half of this heroin. Mexico, which supplied 80 percent of the US heroin market during the mid-1970s, now provides about one-third of US supplies. The remainder comes from Southeast Asia.

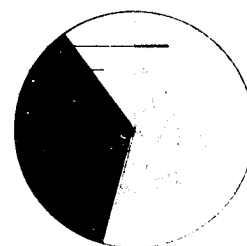
¹ This paper only examines opium poppy, coca, Cannabis, and their drug derivatives: heroin, cocaine, marijuana, and hashish. The synthetic drugs such as amphetamines, PCP, methamphetamine, methadone, and Valium, over 95 percent of which are produced domestically, are not addressed.

² The NNICC is composed of agencies concerned with drug enforcement policy, treatment and research, and intelligence responsibilities. The committee is chaired by the Deputy Assistant Administrator for Intelligence of the Drug Enforcement Administration. A representative from the CIA attends as an observer.

Figure 1
1981 US Heroin Consumption of
Four Tons Supplied by:

Percent

Southwest Asia—54
Southeast Asia—10
Mexico—36



Past heroin trade patterns suggest that when efforts to control opium production in one region are effective—as in Turkey and, more recently, Mexico—or when poor weather reduces the size of the opium crop—as was the case in 1979-80 in Southeast Asia—supplies in other areas are sufficient to sustain the flow of heroin to US markets.

Marijuana

The United States currently consumes 10,000 to 14,000 tons of marijuana, about 90 percent of which is grown abroad. Colombia has been the main supplier, providing about 80 percent of US requirements. There are some signs that the US marijuana market may be shrinking. Surveys conducted for the National Institute on Drug Abuse (NIDA) reveal a gradual decline in marijuana use among high school seniors.

Figure 2
Heroin Supply to US From
Principal Foreign Sources, 1976-81

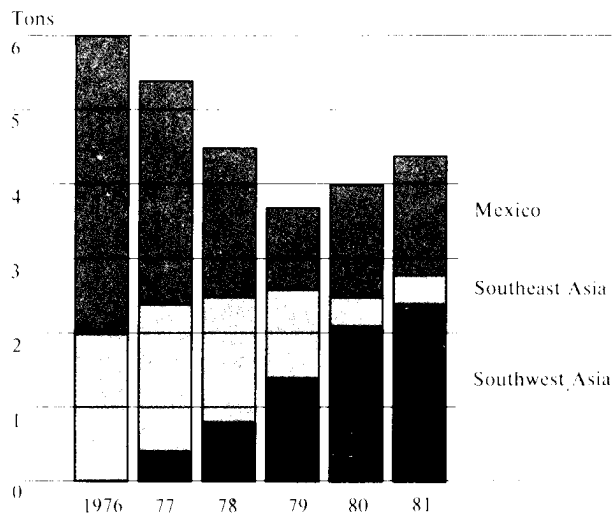
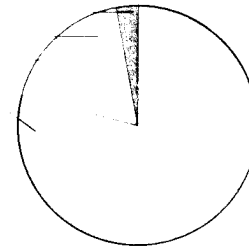


Figure 3
1981 US Marijuana Consumption
of 10,000-14,000 Tons Supplied by:

Percent

Mexico-3
 Jamaica-9
 US Domestic-9
 Colombia-79



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Major Drug-Producing Countries

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Latin America/Caribbean

Latin America supplies all of the cocaine, most of the marijuana, and roughly one-third of the heroin consumed in the United States.

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Mexico. The major poppy-growing areas in Mexico have historically been located in the northern and southern Sierra Madre Mountains where the combination of altitude and rainfall produces good crops. In 1977 about 80 percent of Mexico's opium was grown in the tristate area of Chihuahua, Sinaloa, and Durango. Although this area remains a major growing region, production in recent years has also increased in the southern states of Guerrero, Oaxaca, and Jalisco.

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Production of Mexican opium peaked at 65 tons in 1975, according to US Embassy reports. The initiation of an aerial herbicide spray eradication program in late 1975 soon caused a drastic reduction in opium

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Cocaine

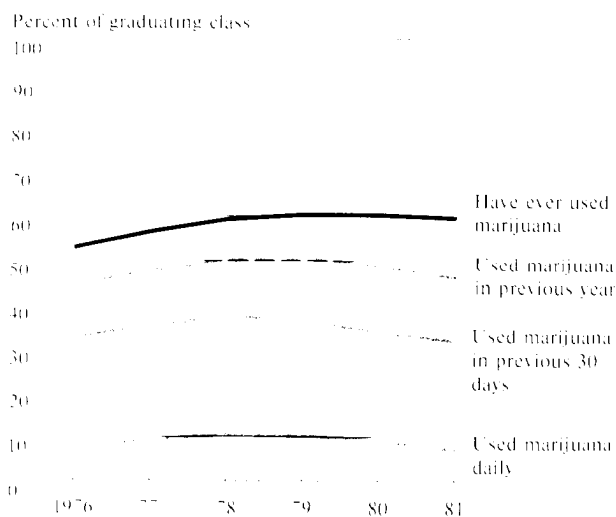
US drug consumers probably spend more on cocaine than any other illicit drug, annually consuming 35 to 45 tons, according to NNICC estimates. The coca leaf used to produce the illicit cocaine is grown primarily in Bolivia and Peru. Colombian traffickers oversee the refining process and smuggle the drug into the United States. The indicators of cocaine abuse monitored by the NIDA—overdose deaths, federal arrests, and injuries treated in emergency rooms—show steady growth rates.

Hashish

The Middle East and Southwest Asia supply the bulk of the roughly 200 tons of hashish which the NNICC estimates are consumed yearly in the United States. Morocco, Lebanon, and Pakistan are major producers. DEA reporting suggests that hashish is more popular in Western Europe, but reliable data on hashish consumption are not available.

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Figure 4
US Marijuana Use During High School Years



Source: US DEHS, National Institute of Drug Abuse, *Student Drug Abuse in America, 1975-81*.

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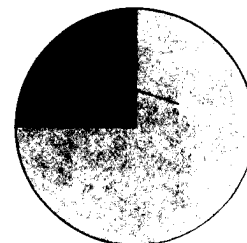
production. We estimate, [redacted]
that output was about 16 tons in 1982 and that
production will not increase in 1983. [redacted]

Marijuana is grown throughout Mexico, with the densest cultivation in the western mountains. According to NNICC estimates, some 300 to 500 tons currently are exported to the United States, about 3 percent of US consumption.

Guatemala. Although Guatemala is not yet a significant opium-producing country, a number of poppy fields were discovered in early 1981 by military forces several miles from the Mexican border. These fields appear to represent an effort by Mexican growers to escape the Mexican eradication campaign. Peasants tending the fields told DEA representatives that seed and technical assistance were provided by Mexican traffickers who periodically inspected the progress of the crops. Marijuana production is also on the rise, according to DEA sources, with most fields located near Guatemala's borders with Mexico.

Figure 5
1981 US Cocaine Consumption of 35-45
Tons Supplied by:

Percent

Peru and Bolivia 25
Colombia- 75

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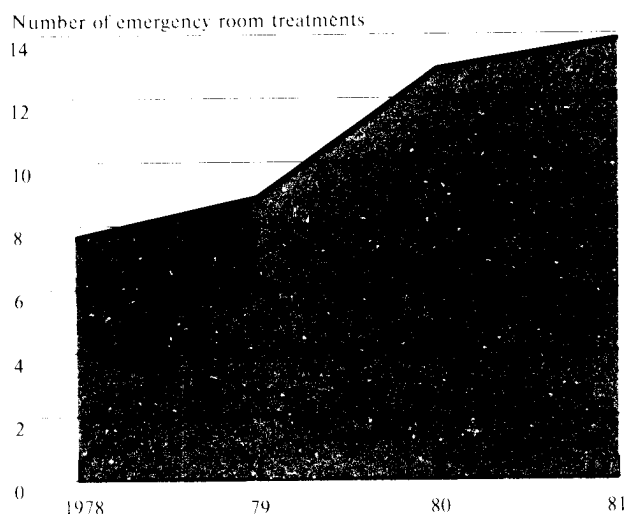
Costa Rica and Belize. A recent upsurge in marijuana production also has been reported by the US Embassies in Costa Rica and Belize. No production figures are available for Costa Rica, but production in Belize is estimated to be as high as 200 tons per year and rising. In both countries the increased output is probably destined for the United States where prices are substantially higher than those paid domestically.

Jamaica. Jamaica is the largest producer of marijuana in the Caribbean–Central American region with an annual crop of about 3,500 tons, according to an estimate made by the US Embassy in Kingston. Although marijuana is cultivated throughout the island, there are two distinct growing regions. In the interior highlands, farms are small with fields of less than 1 hectare each. In the wetland areas, which include the Great Morass Swamp on the west coast and the Braes River region in southwest Jamaica, hundreds of fields are planted in plantation-style operations. Jamaica is also used as a transshipment point for cocaine smuggled from Colombia to the United States.

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Figure 6
United States: Increased Cocaine Use



Source: DAWN system.

Colombia. Colombia is a major supplier of marijuana and an increasingly important producer of cocaine.³

approximately 2,200 hectares of marijuana were under cultivation in the Sierra Nevada de Santa Marta Mountains and Serrania de Perija Mountains bordering Venezuela during the April-September 1982 growing season. This area yielded a crop of approximately 7,000 tons, 5,000 tons of which were probably exported to the United States. We estimate that a second crop of nearly equal size was harvested in March 1983. This region is responsible for about 80 percent of Colombia's total marijuana production. The Gulf of Uraba region and several smaller cultivation areas account for the balance.

Coca cultivation in Colombia has increased dramatically in the last three to five years. Thousands of new fields are being cleared and planted in the remote

lowland jungle region of the southeast along streams that are part of the Amazon River system. We estimate, based on the number of known fields, that the region probably has a potential to produce between 15 to 20 tons of cocaine—a potential that will expand rapidly in the next five years as coca plants mature and more fields are cleared and planted.⁴

Peru. Peru, along with Bolivia, is a major producer of coca leaf. In 1981 the US Embassy in Lima estimated that Peru produced 50,000 tons of coca leaf, of which 36,000 tons were available for illicit use. The principal growing regions are located in the departments of Cusco, Huanuco, and San Martin, with less cultivation in La Libertad, Ayacucho, Puno, and Cajamarca. The potential growing area for coca in Peru, however, is immense, stretching about 1,600 kilometers north to south in a belt about 80 kilometers wide on the eastern slopes of the Andes.⁵

Bolivia. During the last decade Bolivia has become a major producer and exporter of illicit coca paste and base.⁶ The US Embassy in La Paz estimates that in 1981 over 60,000 tons of coca leaf were grown in the Yungas and Chapare Regions. The Yungas, a rugged mountainous region about 100 kilometers east of La Paz, supplies most of the country's legitimate coca needs, although some is undoubtedly siphoned off into illicit channels. The Chapare is the primary producer of illicit coca leaf with almost 95 percent of its production destined for international markets.

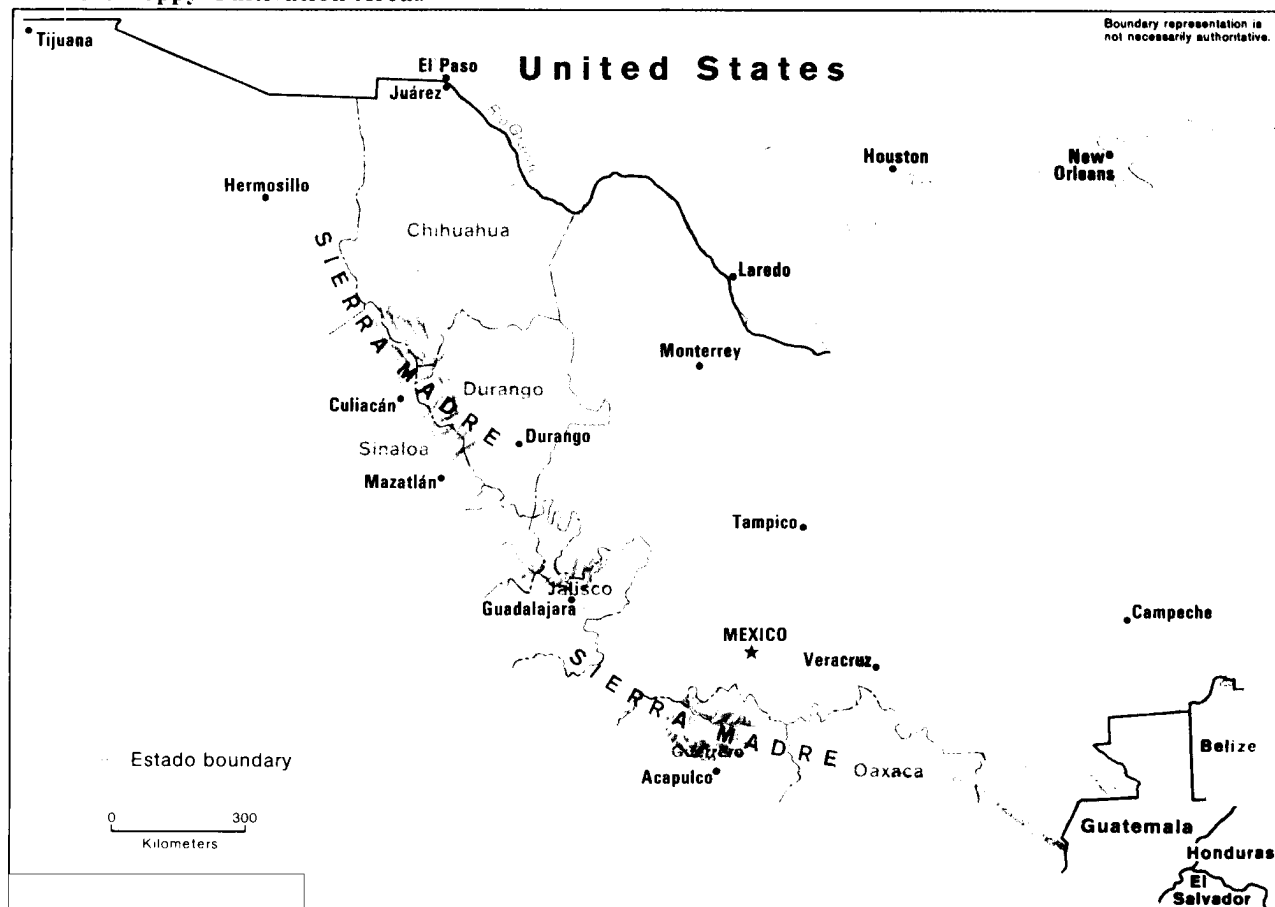
Southwest Asia

The Golden Crescent—Afghanistan, Pakistan, and Iran—is the world's largest producer of opium with an estimated output, based on

⁴ Roughly 500 tons of coca leaf are needed to produce one ton of cocaine. Yields vary widely depending on soil conditions, rainfall, elevation, and age of the plants. For instance, in the Chapare Region of Bolivia, yields range from 850 kilograms per hectare to 5,000 kilograms per hectare with a median of 2,070 kilograms per hectare. In the Yungas area the yield ranges from 260 kilograms per hectare to 1,440 kilograms per hectare with a median of 710 kilograms per hectare.

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Figure 7
Mexico: Poppy Cultivation Areas



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[] US Embassy reports, of 675 to 925 tons in 1982.⁷ The bulk of this opium is consumed regionally, but there is an ample supply remaining to supply nearly all of the West European market and over one-half of the US market with heroin. []

Opium output in Southwest Asia has declined steadily since 1979 when, according to our estimates, more than 1,500 tons were produced. The greatest production decline has occurred in Pakistan, where output has fallen from 700 tons in 1979 to approximately 75 tons in 1982. We believe that production in Afghanistan amounts to some 200 to 250 tons, with 130 to 190 tons available for export to Pakistan and Iran. Iran

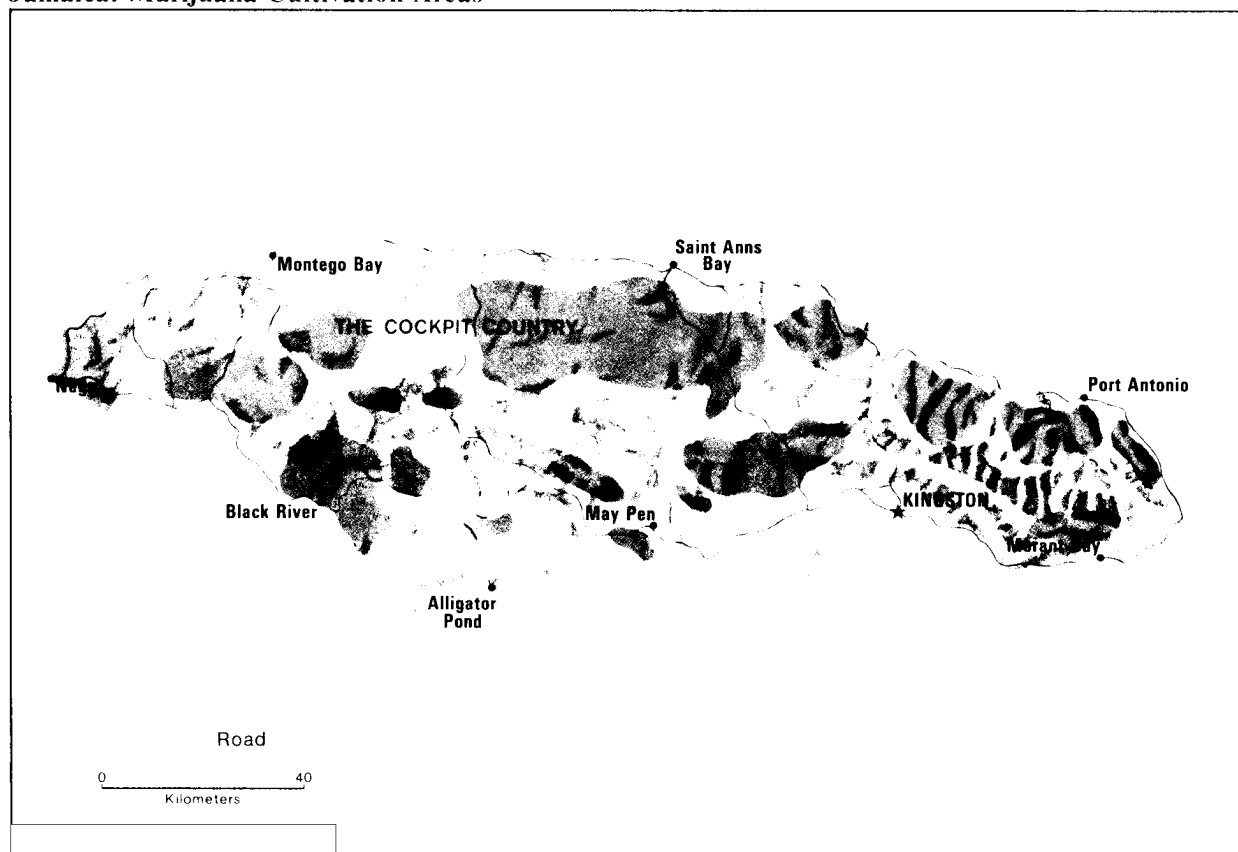


probably produces 400 to 600 tons of opium each year. Despite the drop in regional production, large stockpiles remain from earlier harvests, and these stockpiles are sufficient to keep heroin flowing to international markets. []

Pakistan. Nearly all of Pakistan's opium is grown in the North-West Frontier Province. A ban on cultivation in 1979 stopped opium production in the so-called settled areas where government control is strong, but cultivation continues where government control is weak, especially in the largely autonomous tribal areas along the Afghanistan border. The government of Pakistan attributes the recent drop in opium production to its narcotics control program. Indeed, a few

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Figure 8
Jamaica: Marijuana Cultivation Areas



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growers have been arrested and some fields eradicated. However, we believe that market conditions and poor weather played a more important role. According to US Embassy reporting, opium prices fell from \$200 per kilogram in 1978 to between \$30 and \$50 per kilogram in 1982. After the current stocks are drawn down and prices recover, we expect opium output will increase. [REDACTED]

Hashish is also produced in Pakistan's remote tribal regions. According to the NNICC, Pakistani production is about 200 tons annually, at least half of which is consumed locally. [REDACTED]

Afghanistan. Accurate assessment of the opium trade in Afghanistan has been especially difficult since the 1979 Soviet invasion. The main producing areas historically have been in the eastern part of the country, and the main growers are Pathan tribesmen

who smuggle their opium into Pakistan where it is sold or traded for weapons in the bazaars of Landi Kotal, Peshawar, and Dara. [REDACTED]

[REDACTED] The military actions do not appear to have destroyed fields or disrupted cropping patterns. Based on these analyses plus reports on interviews of Afghan refugees, we assume that opium production in Afghanistan remains roughly the same as it was prior to the Soviet invasion. [REDACTED]

Iran. Iran has long been one of the world's largest producers and consumers of opium and its derivatives. The main producing areas are in the mountainous

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Marijuana growing in Colombia
[redacted]



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Young coca plants in Colombia
[redacted]



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north-central and northwestern provinces. Because of its large addict population—estimated by Iranian narcotics officials in 1979 to be nearly 1 million—Iran is very likely a net opium importer. It also figures heavily in the trafficking of heroin from Southwest Asia to Europe and the United States. Most of Pakistan's and Afghanistan's opium exports go to

Iran; this allows Iran to export opium for sales to the West through Turkey.⁸ [redacted]

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Figure 9
Colombia: Coca and Marijuana Cultivation Areas



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Figure 10
Bolivia: Coca Cultivation Areas



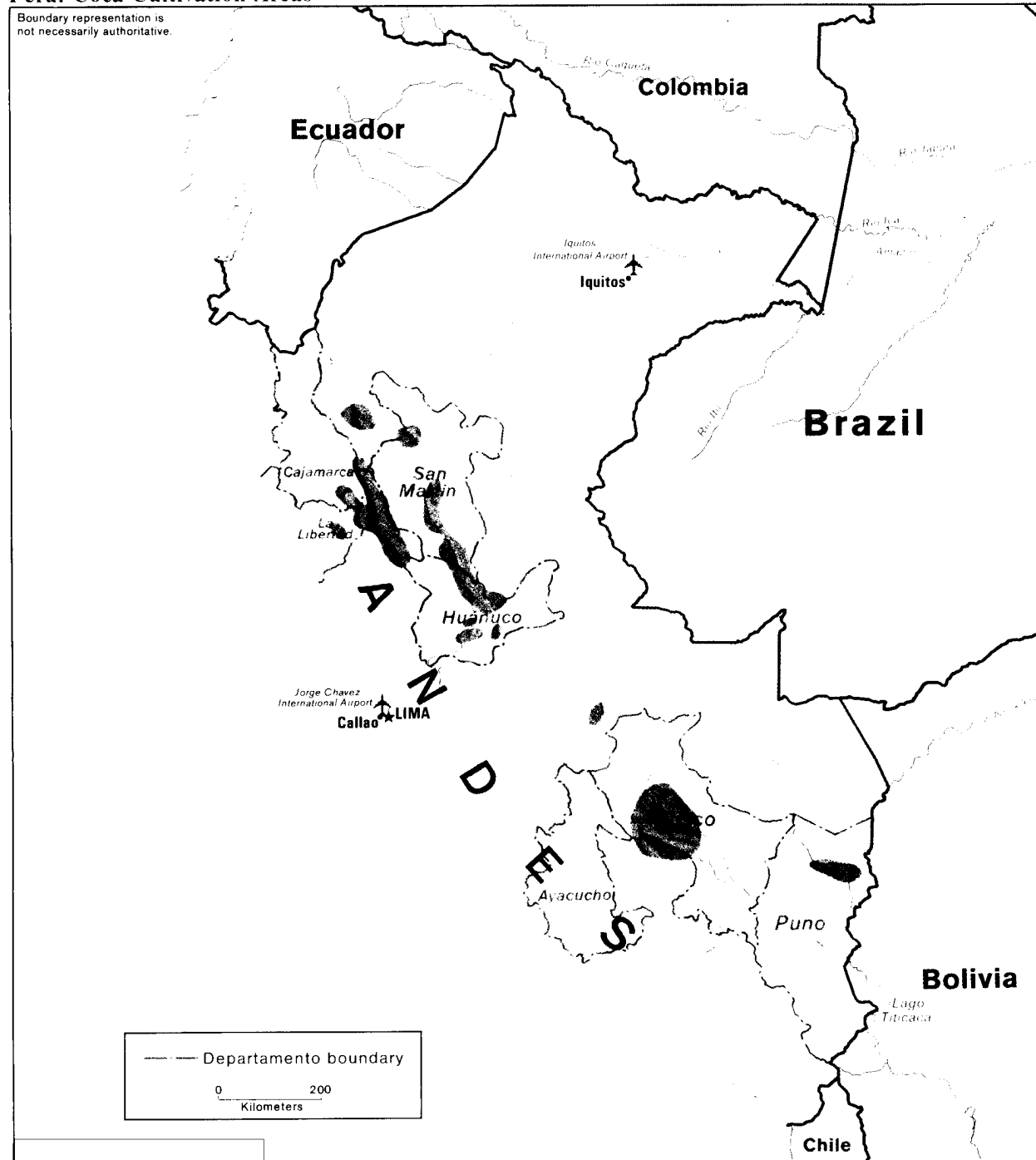
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Figure 11
Peru: Coca Cultivation Areas



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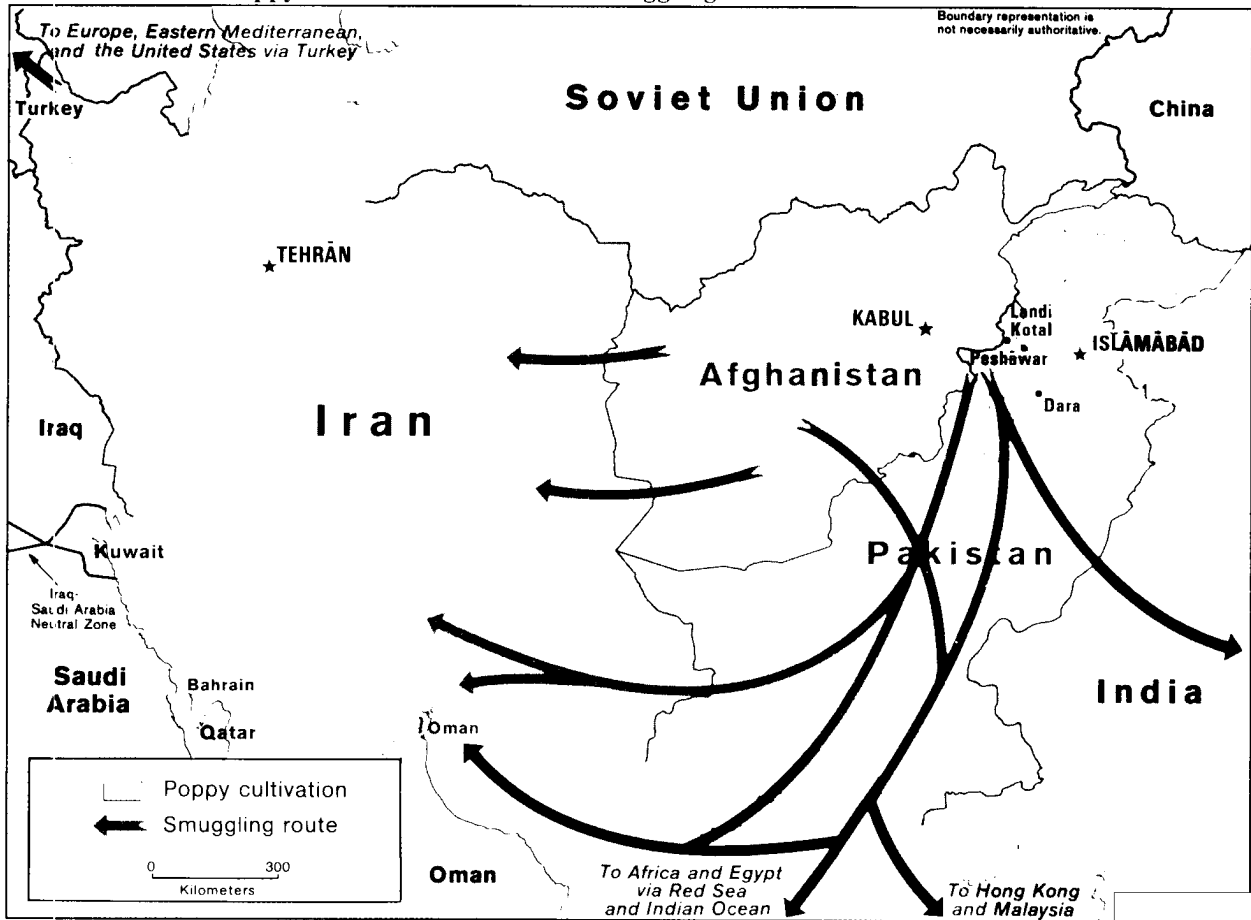
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Figure 12

Golden Crescent: Poppy Cultivation Areas and Smuggling Routes



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Middle East-North Africa

Lebanon. Long the world's major producer of hashish, the continuing instability in Lebanon has seriously disrupted production and trafficking. According to NNICC estimates, current production may be as low as 90 tons, down from an estimated 650 tons in 1980. The Bekaa Valley has been the principal growing area, and Beirut International Airport a main smuggling point. A more stable Lebanon may well revive the country's hashish trade.

Morocco. Hashish production in Morocco was estimated by the NNICC at 60 tons in 1980. It is not certain whether traffickers have increased production in response to lower output in Lebanon. Production is

centered in the Rif mountain area of northern Morocco, where the central government exercises little or no control.

Southeast Asia

The opium-growing areas of northern Burma, Thailand, and Laos—known as the Golden Triangle—form the world's second-largest opium-producing region after Southwest Asia. Drought in 1979 and 1980 kept opium production between 160 and 225 tons. Based on a combination of Embassy reporting we estimate that output climbed to roughly 600 tons in both the 1981 and 1982 crop seasons.

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Figure 13
Golden Triangle: Poppy Cultivation Areas



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Opium harvest in Thailand



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Burma. Burma is the major opium producer in South-east Asia. Opium output, [redacted]

[redacted] was about 500 tons in 1981, a threefold increase over the average annual output of the previous two years. The main growing areas are located in the Shan, Kayah, Kachin, and Karen States. A large portion of these areas is controlled by the Burmese Communist Party, which uses opium sales to finance insurgent operations. [redacted]

same as in 1981 but up substantially from the 12-ton crop produced in 1980, a crop season marked by a severe drought. [redacted]

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Drug-Processing Centers and Trafficking Routes

Latin America

Heroin. Mexican opium is converted to heroin before being smuggled into the United States. The main laboratory sites, according to DEA sources, are located in and around the city of Culiacan—which lies adjacent to the main, tristate opium production center—and the cities of Durango and Guadalajara. Mexico's domestic highway system, which runs predominantly north-south, provides the main artery for moving heroin north. Entry points along the US border are so heavily used by legal travelers that a few kilograms of heroin expertly concealed in vehicles are difficult to detect. In addition, over 95 percent of the US-Mexican border has no barricades, making smuggling fairly easy. [redacted]

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Thailand. The production of opium is dominated by the tribes that populate the highlands of northern Thailand, principally in Chiang Mai and Chiang Rai Provinces. Production in 1982 is estimated, [redacted] to have been some 57 tons, up from 50 tons in 1981. Preliminary estimates for the 1983 crop indicate a drop in production to 31 to 37 tons, the result of low rainfall during the crop season. [redacted]

Laos. Opium cultivation is concentrated in central-northern Laos. Poppyfields are small, averaging approximately one-sixth hectare each, and are clustered around highland villages. Based on [redacted] US Embassy reports, we estimate production in 1982 was roughly at 50 tons, about the

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Cocaine. Colombian traffickers play the key role in processing South American coca into cocaine hydrochloride and smuggling it to the United States. Indeed, according to DEA and US Embassy reporting, Colombian traffickers handle about 75 percent of the cocaine used in the United States. Cocaine laboratories that convert coca paste to cocaine hydrochloride are generally located in or near the larger Colombian cities, principally Bogota, Medellin, and Cali. Ether, the primary chemical used in processing, is more easily obtained in large quantities in these metropolitan centers. Although Peruvian and Bolivian traffickers are closer to the source of raw material, they currently lack the international connections and organization necessary to challenge the Colombian monopoly in this trade. [REDACTED]

In Bolivia, the coca collection sites are located in Cochabamba, Santa Cruz, Montero, Trinidad, Villa Tuneri, Shinahota, and Puerto Grether. From these towns the coca paste or base is shipped out of Bolivia via Iquitos, Peru; Leticia, Colombia; or Manaus, Brazil to clandestine labs in Colombia. After the paste has been processed, the cocaine hydrochloride is packaged and forwarded to transshipment centers in the Caribbean for distribution to US retailers. [REDACTED]

Peruvian coca products leave the country via ships, private and commercial aircraft, cars, trucks, and riverboats. The principal exit points are Callao, Jorge Chavez International Airport in Lima, Iquitos International Airport, and numerous locations along the thousands of kilometers of Peru's unpatrolled border and coastline. [REDACTED]

Marijuana. Most Colombian marijuana is smuggled by sea in so-called mother ship operations. Ships are loaded off Colombia's north coast and deliver the marijuana to predetermined locations along the southeastern US coast where small boats unload the marijuana and take it ashore. [REDACTED]

Some Colombian and nearly all of the Jamaican marijuana is smuggled by general aviation aircraft. Small twin-engined aircraft with payloads of up to 500 kg are the rule in the Jamaican trade, while in the Colombian trade there have been instances of large

twin-engined and four-engined aircraft flying loads of up to 13 tons of marijuana as far north as South Dakota. [REDACTED]

In Mexico, according to DEA reports, major organizations control all levels of trafficking from the farmers growing the crop to "mules" who smuggle the marijuana across the border. Marijuana is also sold directly to US citizens in Mexico who fly it into the United States or smuggle it in private cars and trucks. [REDACTED]

Southwest Asia

Much of the Southwest Asian opium intended for Western markets is smuggled through Iran into eastern Turkey. The Turks, with several decades of experience in smuggling opiates, either refine the opium into morphine base, which is then sent to laboratories in Italy for further processing, or produce heroin themselves in crude laboratories near the Iranian border. According to the NNICC, the bulk of the opiates smuggled into Western Europe from Turkey are transported over heavily traveled roads from Istanbul through Bulgaria, Yugoslavia, and Austria into West Germany and from Yugoslavia into Italy by way of border-crossing points east of Trieste. Morphine and heroin are also shipped into Greece from Turkey and on to Italy by way of car ferry. Italian refineries supply heroin to the northeastern United States by way of commercial air and sea freight. [REDACTED]

Seizure data and field reporting by DEA indicate that Pakistan has recently become a major heroin producer. Within the past two years or so, wholesale amounts of highly pure heroin from Pakistan have entered the illicit international market. According to statements by Pakistani authorities to US Government representatives in November 1982, up to 30 heroin laboratories were operating in tribal regions of the North-West Frontier Province, particularly around the border town of Landi Kotal. Late in 1982, the government of Pakistan put pressure on the tribal leaders to end the laboratory operations. Embassy reporting indicates that a few chemists surrendered some of their hardware; however, no chemicals or

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heroin were confiscated. We believe that many if not all of these laboratories remain operational. The US Embassy in Islamabad estimates that some 300,000 opium users and about 50,000 heroin addicts consume a significant portion of Pakistan's production. The heroin destined for foreign markets is carried aboard commercial air flights from Pakistan to Europe, the Persian Gulf, and the United States. []

Middle East

Hashish occasionally is smuggled by the same organizations that traffic Southwest Asian heroin. However, because hashish is bulkier than heroin, it is more often concealed in trucks or sea freight shipments. According to DEA sources and US Embassy reporting, Lebanese hashish is shipped by sea to Italy and the Netherlands or to the United States via Cyprus. Hashish smuggling from Morocco moves into Europe via Spain. Information on hashish from Afghanistan is sparse, but much of this hashish is probably smuggled into Pakistan to Lahore and Karachi where it is moved with Pakistani hashish by air to European and North American markets. []

Southeast Asia

Narcotics produced in the Golden Triangle have traditionally reached world markets by transiting Thailand. Caravans carry opium from the principal growing areas—northern Burma and northern Thailand—to the refineries along the Thai-Burmese border. The growing areas and trafficking routes in Thailand have traditionally been controlled by paramilitary insurgent/trafficking organizations who purchase the opium from the farmers and control its distribution. The Shan United Army (SUA), the largest of these groups, until recently controlled 70 percent of the Golden Triangle's opium trade, purchasing opium in both Thailand and Burma and converting much of it to heroin in refineries along the Thai-Burmese border.⁹ []

Until recently, almost all of the narcotics processed along the border were shipped to Bangkok and southern Thailand via trucks, tour buses, trains, and privately owned vehicles. Military actions in 1982 by the

⁹ The SUA purports to be an ethnic insurgent army organized to fight for a Shan tribal homeland in Burma. In reality, it is a private army of brigands and narcotics traffickers under the leadership of a Yumanese Chinese warlord. []

Thai and Burmese against the SUA and the heroin refineries in the border area caused these routes to shift. An increasing amount of heroin produced at the border now moves back into Burma to be smuggled out along the unpoliced Tenneserim coast or through Bangladesh. In addition, narcotics are increasingly shipped by way of China to Hong Kong. Coastal waters around the Malay Peninsula are also used by traffickers to move drugs to Indonesia, Singapore, Hong Kong, and other Asian ports. Amsterdam is now the hub for heroin from Southeast Asia destined for Europe, Canada, and the United States, although these markets are also serviced by commercial aircraft from Bangkok, Kuala Lumpur, and Penang. []

Economics of the Drug Trade

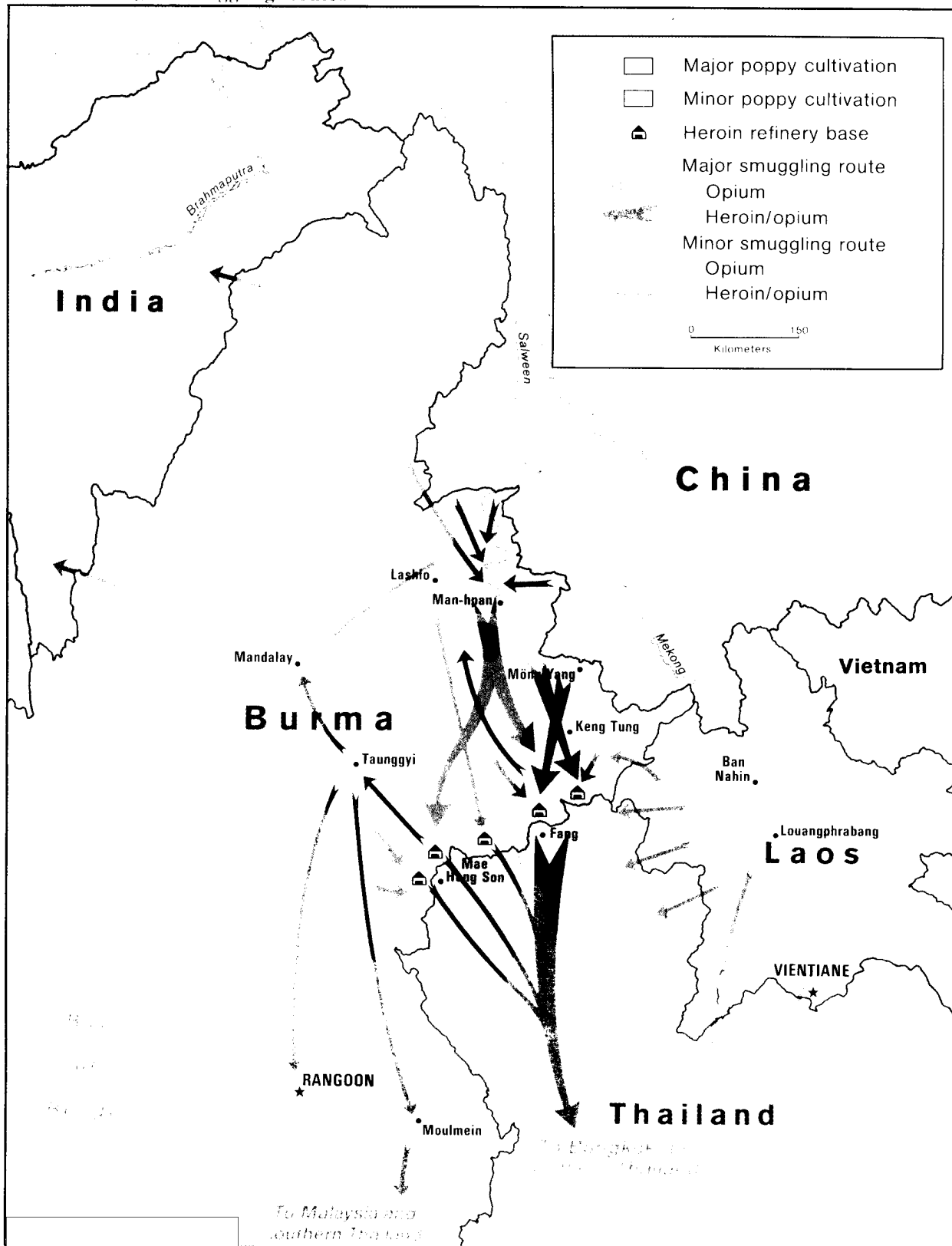
Each year as many as 41 million people in the United States spend up to \$80 billion on heroin, cocaine, marijuana, and hashish. The money spent for drugs in the United States helps support a worldwide illicit industry with gross annual earnings of as much as \$200 billion, according to our estimate.¹⁰ []

Source Country Revenues

The amount of money generated by the illicit drug trade often equals a major share of the legitimate GNP in producer countries. For example, the US Embassy in La Paz estimates that in 1981 income derived from the sale of coca leaf and its derivatives may have been worth as much as \$1.6 billion to the Bolivian economy—roughly one-fourth of Bolivia's legitimate GNP.¹¹ According to the US Embassy in Bogota, Colombian exports of marijuana, cocaine, and methaqualone annually amount to some \$2 billion, an amount equal to 7 percent of Colombia's GNP from legitimate sources. Drugs are thus Colombia's most valuable export after coffee. The US

¹⁰ These estimates are based on the retail prices in major markets as reported by DEA. Estimates do not include synthetic drugs or illegal drugs produced and consumed in the same country. The figures cited are for 1981, the last year for which data were available. []

Figure 14
Golden Triangle: Smuggling Routes



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Embassy in Kingston estimates that some 15 percent of the \$1.5 billion earned by the sale of Jamaican marijuana in the United States each year returns to Jamaica where marijuana is the principal agricultural export crop. [REDACTED]

Although in many cases it is difficult to estimate the amount of drug money that actually filters back into the economy of a producer country, such revenues clearly are of substantial benefit to many source country economies. For example, the average minimum wage for a Colombian farmer, according to US Embassy reporting, is \$63 per month; a farmer growing marijuana earns \$45 per day or \$1,350 monthly. Dayworkers in Bolivia's illicit coca fields can earn 150 to 400 pesos for an eight-hour shift, almost eight times the rate for a day's work on a farm growing legitimate crops. Studies by the Bolivian Government show that a coca-growing family in the Chapare Region can, under optimum conditions, earn \$20,000 per year compared to the national average per capita income of about \$1,000. In Jamaica, ganja, as marijuana is called locally, is a traditional crop. The government of Prime Minister Seaga is reluctant to move against the growers and traffickers for fear of disrupting the island's rural economy and upsetting the regime's fragile political base. In northern Thailand an effort under the sponsorship of the King to persuade opium producers to shift to other crops has had no noticeable impact on poppy cultivation because of the low cash return from other agricultural products compared to opium. [REDACTED]

Trafficking Income

Because of the tremendous price markup between the farm and retail market, traffickers earn far larger sums than growers. For example, in Southwest Asia a farmer will sell 10 kilograms of opium for about \$400; this amount can be processed into 1 kilogram of 90-percent pure heroin at a laboratory in Turkey and sold by processors for some \$8,000 to \$15,000. When smuggled into the United States and diluted, this 1 kilogram of heroin yields drugs worth some \$300,000 to \$400,000 at the wholesale level and roughly \$1.5 million on US streets.¹² A similar price

¹² The prices given here are for 1 kilogram of 90-percent pure heroin or its equivalent. As purity decreases, volume of the merchandise increases. The original 1 kilogram of 90-percent pure heroin makes from 13 to 30 kilograms of street-level heroin which ranges from 3- to 7-percent purity. Total sales of the 13 to 30 kilograms would equal \$1.5 million. [REDACTED]

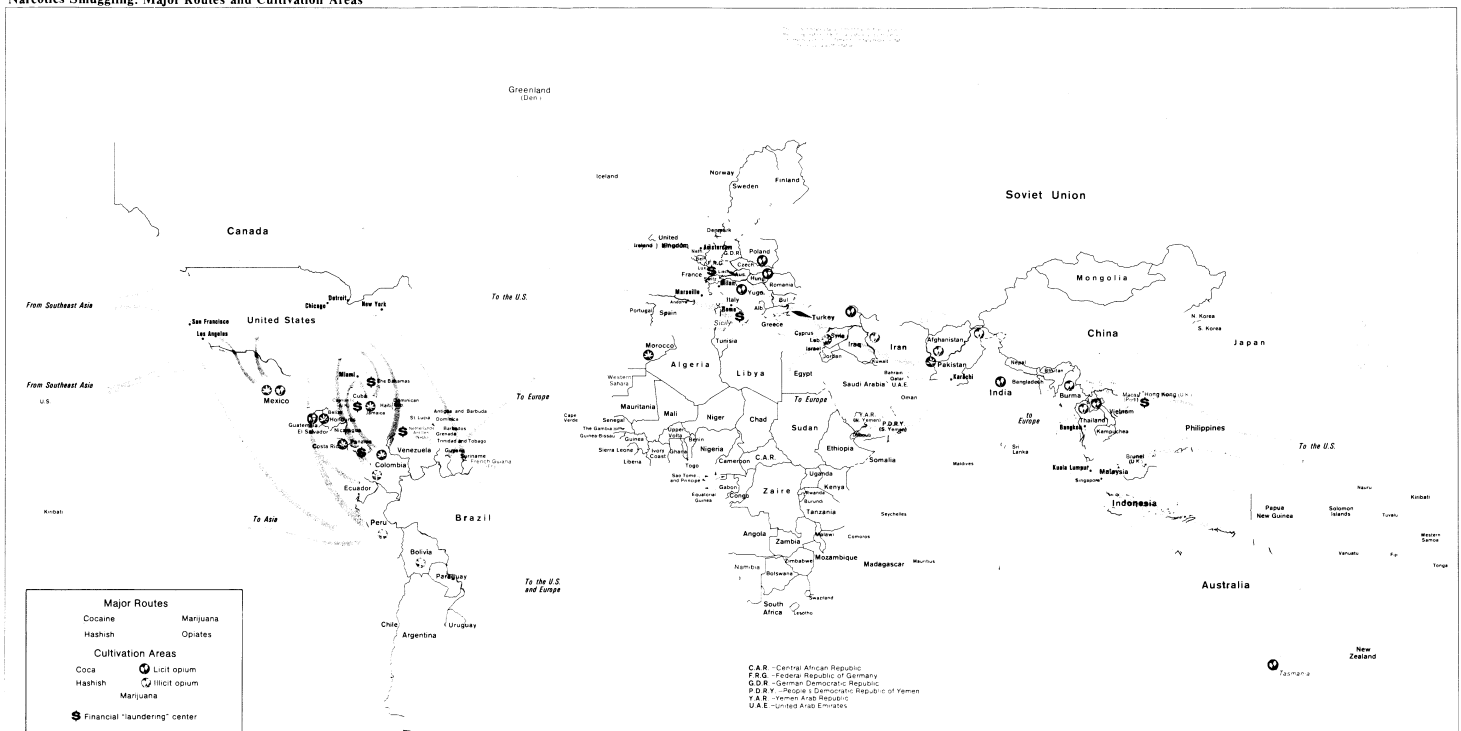
structure exists for cocaine where the farmer is paid some \$800 to \$1,000 for one-half metric ton of coca leaf in Bolivia that could represent 1 kilogram of pure cocaine worth some \$800,000 to street dealers in the United States. Marijuana is sold by Colombian growers for \$2 to \$4 per pound. Smuggling that pound of marijuana to the United States results in a retail price of \$500 to \$800 per pound. [REDACTED]

Laundering the Proceeds

Disposing of cash generated by drug trafficking is in many cases a greater burden for traffickers than drug smuggling itself. The process of sanitizing or "laundering" drug money so that it may be more easily transported and used for a variety of purposes usually begins with consolidation of the street take into bills of larger denomination at numerous local banks. The funds may then be smuggled out of the country directly or deposited in a local bank for wire transfer abroad. To evade currency controls in other countries and tighter US surveillance of cash movements, drug traffickers are increasingly turning to more unconventional means of moving money. Their imports into the United States, for example, may be overinvoiced by a cohort abroad with the surplus payment deposited in a foreign bank account. Similarly, lateral transfers may be used with a collaborator overseas depositing funds in a local account in exchange for direct payment of his bills in dollars by a trafficker in the United States. [REDACTED]

Offshore banking centers throughout the world play a major role in processing directly transferred drug revenues. In these centers, funds are deposited in secret accounts or in accounts of shell corporations from which they are returned to the original depositors. According to DEA sources, the main flow of funds financing the movement of heroin from Southwest Asia is through Italy, Sicily, and Switzerland. Other DEA sources report that offshore banks in the Caribbean are the main conduits for the drug trade revenues in the Western Hemisphere. In Southwest Asia, we believe Hong Kong is the most important drug-money center. [REDACTED]

Figure 15
Narcotics Smuggling: Major Routes and Cultivation Areas



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